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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC IMMEDIATE 5951

INFO AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY GUATEMALA

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C O N F I D E N T I A L SECTION 1 OF 5 MANAGUA 0119

USCINCSO FOR POLAD

USIA FOR ILA

E.O. 11652: GDS

TAGS: PINS, NU

SUBJECT: IMPACT OF FSLN TERRORIST INCIDENT

SUMMARY: THE AUDACIOUS FSLN KIDNAPPING INCIDENT OF DECEMBER 27-30 WAS RECEIVED WITH SURPRISINGLY WIDESPREAD APPROVAL. APPROBATORY REACTIONS RANGED FROM DELIGHT AT SOMOZA'S DISCOMFITURE AMONG OPPOSITION AND NON-COMMITTED ELEMENTS TO SYMPATHATIC

CAUSES BEHIND FSLN ACT EVEN AMONG SOME SOMOCISTAS. THESE REACTIONS DO NOT SO MUCH SUGGEST POSITIVE ACCEPTANCE OF THE CASTROIST FSLN AS AN ALTERNATIVE THAN DISSATISFACTION WITH THE SOMOZA REGIME. SOMOZA'S IMAGE OF INVULNERABILITY HAS BEEN SHAKEN, AND HIS OFFICIALS HAVE BEEN TOUCHED FOR THE FIRST TIME BY FEAR FOR THEIR PERSONAL SAFETY. HOWEVER, HE HAS SHOWN ADMIRABLE
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RESTRAINT DURING AND IN THE IMMEDIATE AFERMATH OF THE INCIDENT.

DURING THE COMING MONTHS, THE PRESIDENT'S POLITICAL ACUMEN WILL BE SORELY TESTED AND THOUGH HE IS REPORTEDLY INCLINED TO SUPPORT FULLY REFORMS HELPFUL TO THE CAMPESINOS, OPINIONS ARE DIVIDED AS TO WHETHER HE WILL CHANGE HIS STYLE OR INSTITUTE RECOMMENDED POLITICAL REFORMS. IN BASICALLY MODERATE NICARAGUA, LEGITIMATE OPPOSITION GROUPS WILL FOR THE NEXT FEW MONTHS HAVE THE INSIDE TRACK FOR MOBILIZING THE ANTI-SOMOZA SENTIMENT GALVANIZED BY THE SUCCESSFUL FSLN OPERATION. HOWEVER, SHOULD THE GON PREVENT THEM FROM CHANNELING THIS SENTIMENT INTO THEIR ORGANIZATIONS, THE FSLN, ESPECIALLY IF IT MOUNTS ANOTHER SENSATIONAL ASSAULT, COULD SOLIDLY ESTABLISH ITS POSITION AS A VIABLE OPPOSITION FORCE. LEGITIMATE OPPOSITION GROUPS AND ORGANIZED LABOR MAY WELL TEST SOMOZA'S WILLINGNESS TO PROVIDE A YOPOLITICALNKAFETY VALVE THROUGH LOSBERALIZATION WITHIN THE MONTH.

1. THE FSLN TERRORIST INCIDENT IN THE BARRIO LOS ROBLES IN MANAGUA DECEMBER 27-30, BECAUSE OF ITS AUDACITY, ITS MILESTONE QUALITY AS THE FIRST SUCH ACT IN RECENT MEMORY, AND BECAUSE OF ITS SUCCESS HAS SENT RIPPLES OF EXCITEMENT THROUGHOUT A POPULACE WHICH HAS RARELY SEEN THE SOMOZAS CHALLENGED SO DRAMATICALLY IN 40 YEARS. WHETHER THIS CLIMATE IS TRANSITORY AND WILL DISSIPATE FOLLOWING THIS SINGLE ACT, OR WHETHER THE INCIDENT WILL BE RECORDED AS A WATERSHED IN THE HISTORY OF OPPOSITION TO THE WELL-ENTRENCHED REGIME WILL DEPEND ON THE FUTURE ACTIONS AND INTERPLAY OF SEVERAL GROUPS AND CANNOT BE PRECISELY GAUGED AT THIS TIME. HOWEVER, THE COUNTRY TEAM HAS ATTEMPTED TO MAKE A PRELIMINARY ASSESSMENT OF THE CURRENT SITUATION IN LIGHT OF THE INCIDENT AND ARRIVE AT SOME CAUTIOUS ESTIMATES ABOUT THE NEAR FUTURE.

A. THE GENERAL REACTION.

2. THE MOST SINGULAR ASPECT OF THE TERRORIST INCIDENT LIES IN THE REACTION IT HAS ELICITED. DESPITE THE FACT THAT THE OPERATION LEFT FOUR DEAD AND SEVERAL OTHERS WOUNDED AND DESLUTE THE EXTREMIST PHILOSOPHY EMBRACED BY THE SANDINISTAS, APPROBATION IN ONE FORM OR OTHER HAS BEEN SURPRISINGLY WIDESPREAD WHILE CONDEMNATION HAS BEEN LIMITED. WHILE, OF COURSE, THOSE CLOSEST TO THE CENTER OF THE SOMOZA GOVERNMENT ARE SAD, ANGRY, AND (IN THE CASE OF THE NATIONAL GUARD) VINDICTIVE AS A RESULT OF THE LOS ROBLES AFFAIR, THE PAUCITY OF SUCH SENTIMENTS BEYOND THIS GROUP IS SO CONFIDENTIAL

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EMBARRASSING THAT THE REGIME HAS PRODDERED PROVINCIAL LIBERAL PARTY (PLN) CHIEFTAINS TO PROCLAIM THEIR POSITION. NONE OF THE MODERATE OPPOSITION GROUPS--INCLUDING THE COLLABORATIONIST PAGUAGISTA CONSERVATIVES, THE PRONOUNCED ANTI-COMMUNIST AGUERO CONSERVATIVES, AND THE MANY HEADED UNION OF DEMOCRATIC LIBERATION (UDEL)--HAS FELT CONSTRAINED TO CENSURE THE VIOLENCE OF THE FSLN, MUCH LESS TO QUESTION ITS MOTIVES. OPPOSITION LEADERS HAVE TOLD THE EMBASSY OF THE PLEASURE WITH WHICH THEIR ACQUAINTANCES GREETED

THE TERRORIST SUCCESS, AND ALTHOUGH THESE REPORTS ARE ADMITTEDLY SELF-SERVING, THEY ARE CONSISTENT WITH THE EMBASSY'S OWN FINDINGS. THE PREVIOUSLY REPORTED APPLAUSE GIVEN THE TERRORISTS BY BYSTANDERS WHEN THEY LEFT THE CASTILLO HOUSE AND FINALLY DEPARTED ON THE PLANE TO CUBA WAS AS WE HAVE SUBSEQUENTLY LEARNED, REPRESENTATIVE OF THE FEELINGS OF NEARLY ALL WHO ARE NEGATIVE ABOUT THE REGIME. ALTHOUGH THIS DOES NOT TELL US ANYTHING ABOUT THE EXTENT OF THE ANTI-SOMOZA FEELING, IT DOES SUGGEST STRONGLY THAT THOSE WHO OPPOSE SOMOZA DO SO FROM UNSUSPECTEDLY DEEP-SEATED FEELINGS AND SEEM WILLING NOW TO APPROVE OF ANY MEANS BY ANY GROUP WHICH DOES HARM TO THE REGIME. SUPPORT FOR THE FSLN ACTION SHOULD NEITHER BE CONSTRUED AS SUPPORT FOR CASTROISM NOR EXPECTATION THAT THE REVOLUTION IS AT HAND. IT DOES INDICATE, HOWEVER, THAT SOMOZA NOT COMMUNISM, IS THE IMMEDIATE PROBLEM FOR MANY.

3. PERHAPS MORE UNSETTLING FOR THE REGIME THAN THE HATRED MANIFESTED BY ITS KNOWN ENEMIES HAVE BEEN THE ATTITUDES AND REACTIONS OF THOSE NOT PREVIOUSLY CREDITED WITH HOLDING STRONG OR ADVERSE POLITICAL OPINIONS. LOCAL BUSINESSMEN HAVE REPORTED THEIR CONCERN ABOUT THE WIDESPREAD APPROVAL, REACHING EUPHORIA IN SOME CASES, AMONG THEIR WORKERS AND THE LESS PRIVILEGED CLASSES IN GENERAL. THIS CONCERN PROMPTED A MEETING OF PROGRESSIVE BUSINESSMEN IN MANAGUA TO DISCUSS WHETHER THERE WAS ANY WAY TO IMPROVE COMMUNICATIONS WITH THE GON TO CORRECT SOCIAL AND POLITICAL CONDITIONS WHICH THE FSLN USES AS PRETEXT FOR ITS TERRORISM. A HIGHER LEVEL, MORE FORMAL MEETING ON JANUARY 7 EMPHASIZED THE ALARM OF THE BUSINESS COMMUNITY. EMBASSY SOURCES IN THE LABOR MOVEMENT HAVE CONFIRMED THAT ORDINARY WORKERS, WHO HAD PREVIOUSLY RESERVED POLITICAL OPINIONS, WERE STIMULATED BY THE INCIDENT TO SPEAK OUT IN FAVOR OF THE FSLN AND AGAINST THE GOVERNMENT. A FEW REPORTS THAT CAMPESINOS ON SUGAR PLANTATIONS

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AND COFFEE ESTATES WERE AS EXCITED AND SATISFIED BY THE FSLN ATTACK AS THEIR URBAN COUNTERPARTS SUGGEST UNSUSPECTED STRONG FEELINGS IN THOSE SECTORS AS WELL. IF THE LIMITED INFORMATION ABOUT LOWER CLASS RESPONSE GATHERED THUS FAR BY THE EMBASSY IS REPRESENTATIVE, THIS SECTOR, PREVIOUSLY DISMISSED AS

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LUMPENPROLETARIAT AND PERCEIVED AS MANIPULABLE BY THE LIBERAL PARTY, MAY BE MORE POLITICALLY AWARE THAN ORIGINALLY SUPPOSED. ON THE BASIS OF SUCH EVIDENCE, THE REGIME MAY HAVE TO REEXAMINE ITS CONCEIT THAT THE UNDERCLASS VOTE CAN BE DELIVERED IN ANY FAIRLY CONTESTED ELECTION. IF THE APPRAISAL IS NEGATIVE, ONE OF THE POSSIBLE OPTIONS FOR THE SOMOZA DYNASTY IN THE FUTURE WILL HAVE TO BE REASSESSED.

4. MOST STARTLING OF ALL HAS BEEN THE FAVORABLE RESPONSE TOWARD THE FSLN ACT REPORTED AMONG THOSE WHO ARE USUALLY CONSIDERED BEHOLDEN TO THE SOMOZA REGIME. THE SON OF CORNELIO HUECK (PRESIDENT OF THE CHAMBER OF DEPUTIES) HAS COMPLAINED TO AN EMBOFF, FOR EXAMPLE, THAT IN THE NUMEROUS PERSONAL CONTACTS HE HAS HAD SINCE THE INCIDENT, NEARLY ALL OF HIS LIBERAL PARTY FRIENDS AND MIDDLE-LEVEL GOVERNMENT OFFICIALS HAVE CONDONED THE INCIDENT
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IN ONE WAY OR OTHER. THE FORMER MANAGER OF THE ELCTRIC COMPANY (ENALUF) IS REPORTED AS STATING HIS INDIFFERENCE AS TO AN EVENTUAL SANDINISTA TAKEOVER (WHICH, INCIDENTALLY, HE DOES NOT BELIEVE WILL HAPPEN) SINCE TECHNICAL PEOPLE LIKE HIMSELF WOULD

HAVE A PLACE IN THE NEW GOVERNMENT. IN ANOTHER EXAMPLE, MIDDLE LEVEL EMPLOYEES OF THE NATIONAL DEVELOPMENT INSTITUTE (INFONAC), WHOSE DIRECTOR NOEL PALLAIS WAS ONE OF THE FSLN HOSTAGES, WERE REPORTEDLY DELIGHTED BY THE INCIDENT AND OPENLY REFERRED TO THE SANDINISTAS NOT AS TERRORISTS BUT AS "FREEDOM FIGHTERS". AN OFICIALISTA LABOR UNION LEADER HAS STATED PRIVATELY THAT HE RESPECTS THE SANDINISTAS FOR THEIR VALOR AND UNDERSTANDS THEIR MOTIVATION, COMMENTS WHICH HAVE CHARACTERIZED WHAT MAY BE AN UNSUSPECTED MINORITY OF THOSE INVOLVED WITH THE REGIME IN SOME CAPACITY. OTHERS JUSTIFY THEIR CONDONATION OF THE ACT BY CITING THE CORRUPTION THAT THEY HAVE SEEN AT FIRST HAND. SOME UPPER-MIDDLE CLASS FOLK WHO HAVE A STRONG STAKE IN THE GOVERNING ESTABLISHMENT AND WHO PRESUMABLY WOULD HAVE PROBLEMS IF THE SANDINISTAS EVER CAME TO POWER, HAVE RATIONALIZED THEIR SYMPATHY FOR THE FSLN BY INDENOUSLY REPEATING THE WELL-TRAVELED RUMOR THAT THE SANDINISTAS WERE NOW BEING LED BY THE SONS AND DAUGHTERS OF THE RICH WHO WOULD NOT HARM THEIR OWN PEOPLE.

5. IT IS STILL TOO EARLY TO ASSESS THE EFFECT OF THE TERRORIST THREAT ON CAPITAL FLOW. ONE BUSINESS LAWYER, WHEN ASKED, SAID "CAPITAL FLIGHT" IS NOT A CORRECT DESCRIPTION OF WHAT MAY BE HAPPENING. HE CLAIMED THAT HUGE AMOUNTS OF PRINCIPALLY 1974 COTTON PROFITS STAYED OUT OF THE COUNTRY UNTIL THE ELECTORAL PERIOD WAS TERMINATED AND HAD JUST BEGUN TO RETURN TO NICARAGUA AFTER THE INAUGURATION. HE KNEW OF TWO CASES WHERE FOREIGN BANK ACCOUNT HOLDERS HAD QUICKLY DECIDED AFTER THE LOS ROBLES AFFAIR TO LOOK FOR INVESTMENT OPPORTUNITIES ABROAD INSTEAD OF REPATRIATING THEIR CAPITAL. WHILE WE THINK THAT CAPITAL OUTFLOW RESPONDED TO MORE ATTRACTIVE INTEREST RATES ABROAD, CERTAINLY THE SPECTRE OF POLITICAL INSTABILITY COULD HAVE A CHILLING EFFECT ON REPATRIATION.

B. BACKGROUND TO THE REACTION

6. THE UNEXPECTEDLY FAVORABLE ATTITUDES TOWARD THE INCIDENT SEEMED TO HAVE BEEN CONDITIONAL BY SEVERAL FACTORS, SOME DIRECTLY LINKED TO THE "HOSENAPPING" AND OTHERS WHICH DERIVED

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FROM ITS POLITICAL BACKGROUND: A) THE OPPOSITION HAS HAD FEW SUCCESSES AGAINST THE SOMOZAS THROUGHOUT THE YEARS AND THE CARRYING OFF OF THE FSLN PLOT WAS WELCOMED BY MANY AS A BREAK IN THAT CHAIN OF FRUSTRATION; B) THERE IS A NATURAL INCLINATION TO REVEL IN THE DISCOMITURE OF ANY AUTOCRAT--THE PERSONALITY CULT THAT SOMOZA HAS CONSTRUCTED ENCOURAGES SUCH BACKBITING EVEN MORE; C) THE FSLN DID NOT TRAP ONLY INNOCENT BYSTANDERS IN THE CASTILLO HOUSE BUT QUINTESSENTIAL MEMBERS OF THE REGIME LIKE SEVILLA SACASA, GUILLERMO LANG, ETC.--THESE FIGURES ARE LESS LIKELY TO STIR UP FEELINGS OF EMPAHTY OR SYMPATHY AMONG THE POPULACE AT LARGE. THE VERY NATURE OF THE HOSTAGES ALSO HELPED

TO UNDERLINE THE FLSN'S POLITICAL MESSAGE AND TO DISTINGUISH THEM FROM COMMON CRIMINALS BENT ON PERSONAL GAIN. FINALLY, D) THE OSTENSIBLE CALLOUSNESS OF MANY TOWARD THE BLOODSHED WHICH OCCURRED MAY BE A REFLECTION OF A POLITICAL TRADITION WHERE CHANGE IN THE GOVERNMENT HAS OFTEN BEEN ASSOCIATED WITH VIOLENCE.

7. ASIDE FROM THE OCCURRENCE AT LOS ROBLES, THE FSLN ALSO ENHANCED ITS IMAGE AND PUT THE GON ON THE DEFENSIVE BY ITS CLEVERLY DRAFTED MANIFESTO WHICH WAS GIVEN THE WIDEST POSSIBLE CIRCULATION AS PART OF THE DEAL EFFECTING THE RELEASE OF THE HOSTAGES. EXPLOITING THE ABYSMAL PUBLIC IMAGE OF THE NATIONAL GUARD (GN), THE PAPER BLENDED FACT, MYTH, DISTORTION, AND HALF-TRUTH INTO A PATTERN DESIGNED TO ENCOURAGE THINKING THE WORST OF THE GN. OUR SOUNDINGS INDICATE, THAT EVEN GIVEN THE ALLOWANCES MADE BY MANY UPPER AND MIDDLE CLASS PEOPLE FOR THE BIAS OF THE DOCUMENT, PERHAPS A MAJORITY OF THOSE WHO WERE EXPOSED TO IT FOUND IT PERSUASIVE AND WERE SYMPATHETIC TO THE CHARGES MADE, ESPECIALLY THOSE CONCERNING GN ABUSE OF THE CAMPESINOS.

C. THE GOVERNMENT'S DISMAY

8. THE GOVERNMENT, WHICH HAS BEEN RATHER COCKY ABOUT ITS SUCCESS IN PREVENTING THE KIND OF TERRORISM WHICH HAS PLAGUED ITS SISTER REPUBLICS, WOKE UP WITH EGG ON ITS FACE AS A RESULT OF THE INCIDENT. ITS IMAGE OF INVINCIBILITY, SO IMPORTANT IN A SYSTEM OF SUCH LONGEVITY, WAS DIMINISHED BY THE SUCCESS OF THE FSLN. SOMOZA'S PERSONAL IMAGE OF MACHISMO WAS ALSO IMPINGED UPON AS HE FOUND HIMSELF CHECKMATED AND FORCED TO MAKE ODIIOUS AND BELITTling

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CONCESSIONS. SOMOZA'S DECEMBER 31 ADDRESS TO THE NATION HAD LITTLE EFFECT IN AMELIORATING THE SITUATION. HE ATTEMPTED TO IMPEACH CLAIMS OF SUCCESS OF THE INCIDENT BY ARGUING UNCONVINCINGLY THAT THE GN HAD INTERRUPTED THE TERRORISTS' ORIGINAL PLAN BY ITS QUICK ACTION. HIS ATTEMPTS TO PORTRAY THE ACT AS AN ISOLATED ABERRATION WERE CONTRADICTED BY HIS ANNOUNCEMENT OF THE CONTINUATION OF THE STATE OF SIEGE. HIS DEPICTION OF THE FSLN AS SIMPLE CRIMINALS OR EXTREMIST LUNATICS WAS DILUTED BY HIS YIELDING TO THE TEMPTATION TO WHACK VERBALLY AT HIS TRADITIONAL ANTAGONIST PEDRO JOAQUIN CHAMORRO. (SOMOCISTAS HAVE ALSO TOLD US THAT BY INCLUDING CHAMORRO IN THE SPEECH, HE ENABLED THE LA PRENSA DIRECTOR TO IDENTIFY HIMSELF WITH THE GLORY WON BY THE FSLN WITHOUT CHAMORRO HAVING TO STICK HIS NECK OUT ALTHOUGH HE HAS PUBLICLY DISASSOCIATED HIMSELF

FROM VIOLENCE IN A PUBLIC LETTER TO SOMOZA).SOMOZA'S FAILURE,
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THUS FAR, TO REFUTE
METHODICALLY THE FSLN MANIFESTO ALSO SEEMS A MISTAKE
(ALTHOUGH OTHER GOVERNMENT SPOKESMEN ARE MAKING SUCH AN EFFORT).

9. THE SOMOCISTAS WILL BE AT PAINS TO CONTROL THE ANXIETIES IN THEIR RANKS. THOSE IDENTIFIED CLOSELY WITH THE REGIME HAVE RESPONDED QUITE NATURALLY ABOUT CONCERN FOR THEIR PERSONAL SAFETY. HOWEVER, HARD-CORE SOMOCISTAS ARE IRRITATED THAT THEIR COLLEAGUES' ANXIETIES EXTEND TO THEIR RELUCTANCE TO VOICE CRITICISM OF THE SANDINISTAS FOR FEAR OF REPRISAL. SOMOZA HAS REPORTEDLY ORDERED CABINET LEVEL OFFICIALS TO STAY AWAY FROM PUBLIC FUNCTIONS AS MUCH AS POSSIBLE AND CHANGE THEIR DAILY ROUTINES, A SENSIBLE SUGGESTION WHICH MAY PROVE DPEFICULT FOR SOME. CORNELIO HUECK, FOR INSTANCE, HAS CONCLUDED THAT HE WILL BE ASSASSINATED SINCE HE WILL BE THE FIRST TARGET OF THE TERRORISTS AND HIS POSITION PRECLUDES MAINTAINING A LOW PUBLIC POSTURE. OTHERS ARE PRESUMABLY MORE OPTINISTIC. NEVERTHELESS, THE ELMENTS OF UNCERTAINTY AND CONCERN IMPLANTED BY THE FSLN ATTACK REPRESENT AN ENTIRELY NEW AND NEGATIVE FACTORS IN THE ABILITY TO CONDUCT THE BUSINESS OF THE ADMINISTRATION.

10. IF SOMOZA HAS ONCE AGAIN SHOWN A WEAK SENSE OF PUBLIC RELATIONS

THROUGH HIS CLUMSINESS WITH WORDS, HIS ACTIONS THUS FAR HAVE MERITED PRAISE. THE SANGRE FROID HE DISPLAYED DURING THE NEGOTIATING ORDEAL WITH THE TERRORISTS HAS BEEN REPORTED BEFORE. HIS COOLNESS AND RESTRAINT IN RESISTING THE TEMPTATION TO TEAR UP THE COUNTRY TO DESTROY THE FSLN IMMEDIATELY THEREAFTER HAS WON HIM RESPECT AND HAS SURPRISED THE OPPOSITION AS WELL. HE HAS KEPT THE GUARDIA ON A TIGHT LEASH. DESPITE ANXIETY IN THE RANKS, AND A VERBAL GAFFE HERE AND THERE, HE HAS GIVEN IMPRESSION OF CONDUCTING BUSINESS AS USUAL. NEVERTHELESS, HIS FAILURE TO LIFE THE STATE OF SIEGE SOMEWHAT WEAKENS THIS IMPRESSION AND THE CONTINUATION OF CENSORSHIP IN THE ABSENCE OF SUFFICIENT JUSTIFICATION, MAY EVENTUALLY BECOME A MAJOR POLITICAL ISSUE.

D. RISING TO THE CHALLENGE.

11. IN AN ATTEMPT TO HEAD OFF POSSIBLE INSTABILITY IN THE FUTURE, THOSE WHO HAVE THE MOST TO LOSE THEREBY ARE FREE WITH THEIR IDEAS. THEY ALMOST UNIVERSALLY BELIEVE THAT SOMOZA MUST DEPERSONALIZE HIS GOVERNMENT AND INSTITUTIONALIZE CONFIDENTIAL

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IT IN ORDER TO DIFFUSE THE PECULIAR HATRED FOR THE DYNASTIC REGIME. BUSINESSMEN, AS STATED EARLIER, WANT GREATER COMMUNICATION WITH SOMOZA AND HOPE THAT THE GON WILL CUT THE GROUND FROM UNDER THE MARXISTS BY DYNAMIC REFORM PROGRAMS. THE VICE-MINISTER OF GOVERNMENT SUGGESTED THAT ALTHOUGH THE IMMEDIATE PROBLEMS ARE THOSE OF REMEDYING THE GN'S "INTELLIGENCE FAILURE" AND EXTIRPATING THE FSLN NETWORK BEFORE IT SPREADS LIKE A CANCER, THE REGIME MUST ALSO OPEN UP THE POLICICAL SYSTEM TO ALL GROUPS. HE HAS PROPOSED TO SOMOZA THAT THE CONSTITUTION BE AMENDED ONCE AGAIN TO ALLOW ALL POLITICAL PARTIES TO COMPETE WITHOUT RESTRAINT. DESPITE THE ALARM CAUSED BY THE SANDINISTA SUCCESS, OPINIONS ARE DIVIDED AMONG THOSE SUGGESTING NEW APPROACHES ABOUT THE POSSIBILITY OF SOMOZA ADOPTING THEM AND CHANGING HIS STYLE. SOMOZA HIMSELF HAS REPORTEDLY TOLD THE SECRETARY GENERAL OF THIS PRESIDENCY THAT

HE IS DISMAYED BY THE FRUSTRATIONS WHICH LEAD YOUTH INTO THE FSLN AND INCLINED TO GO ALONG WITH SOCIAL AND ECONOMIC REFORMS, EXPECIALLY THOSE AIMED AT THE CAMPESIONOS, IN AN EFFORT TO MITIGATE THE SITUATION.

E. OPPOSITION IS CONCERNED.

12. NICARAGUA'S THREE MODERATE OPPOSITION GROUPS, I.E. THOSE WHICH ADVOCATE CIVIC RATHER THAN VIOLENT OPPOSITION, SEE THE FSLN INCIDENT AS A POSSIBLE PRELUDE TO POLARIZATION OF POLITICS INTO SOMOCISTA AND TERRORIST CAMPS. IMPRESSED, SOME GENUINELY SHOCKED, AT THE APPROVAL WHICH THE INCIDENT HAS BEEN RECEIVED BY THE GENERAL PUBLIC AND BY THE MASS OF THEIR OWN FOLLOWERS, THEY

FEAR THAT THEY MAY BECOME IRRELEVANT. LEAST ATTRACTIVE AS AN
ALTERNATIVE TO THE FSLN, THE PAGUAGE CONSERVATIVES ARE IN A
QUANDARY. AWARE THAT THE FSLN MANIFESTO ATTACKED NOT ONLY
SOMOZA AND HIS LIBERAL PARTY BUT THE "LIBERO-CONSERVADOR"
GOVERNMENT, SOME PAGUAGISTAS ARE BEGINNING TO REGRET THEIR
COLLABORATION PROAGRAM ALTHOUGH NOT REALLY THREATENED BY POSSIBLE
GON REPRESSION, THEY FEAR THAT SOMOZA WILL PRESS THEM FOR A
DECLARATION OF SUPPORT FOR HIS EFFORTS AGAINST THE FSLN WHICH THEY
FEEL MAY BE THE LAST ACT IN DISCREDITING THEM AS AN OPPOSITION
FORCE. IF SUCH EFFORTS ARE MADE, THE PAGUAGISTAS MAY FOUNDER AND
SPUR ON THE ISSUE WITH GENUINELY ANTI-SOMOZA ELEMENTS LIKE
EDUARDO CHAMORRO GOING THEIR OWN WAY.

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13.THE FERNANDO AGUERO CONSERVATIVES WERE PLACED IN SUCH A
DILEMMA THAT THEY COULD NOT EVEN EVINCE THEIR DISAPPROVAL OF
ARXISM IN THEIR REACTION STATEMENT. THEY REPORT THAT THEY WERE
ESPECIALLY CONCERNED BY THE FAVORABLE RECEPTION THE FSLN INCIDENT

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IS RECEIVING AMONG THEIR CAMPESINO FOLLOWERS AND THUS DECIDED TO ISSUE A FEISTY COMMUNIQUE PLACING ALL OF THE BLAME FOR THE INCIDENT ON SOMOZA. THE AGUERISTAS MAY PROVIDE THE FIRST TEST OF WHETHER THE GON WILL TOLERATE MODERATE OPPOSITION IN COMPETITION WITH THE FSLN. THEY HAVE A RALLY SCHEDULED FOR MASAYA AT THE END OF JANUARY ORIGINALLY PLAYHVED TO COUNTER THE MOMENTUM OF UDEL BUT NOW LOOKED UPON AS THE FIRST STEP IN COMPETING WITH THE FLSN. IT MAY RUN INTO A STATE OF SIEGE PROVISION FORBIDDING POLITICAL ACTIVITY, BUT THE AGUERISTAS BELIEVE THAT SOMOZA WILL NOT PREVENT IT FOR FEAR THAT IT WOULD DRIVE THEM INTO SUPPORT OF CLANDESTINE ACTIVITY.

14. UDEL LEADERS PEDRO JOAQUIN CHAMORRO AND MANOLO MORALES ARBUWOGMIED THAT MANY OF THE PEOPLE THEY HAD HOPED TO ATTRACT INTO THEIR ORGANIZATION WILL INSTEAD BE DRAWN TO FSLN. YOUTH, IN CONFIDENTIAL

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PARTICULAR, THEY FEAR, MAY BE LOST TO THEM ALREADY. THE SOCIAL CHRISTIAN SEGMENT OF UDEL HAS ALREADY CIRCULATED A MANIFESTO O THE FSLN INCIDENT ALONG THE SAME LINES AS THE AGUERO CONSERVATIVES, BUT WORDED MORE SOFTLY. CHAMORRO IS ANXIOUS TO GET OUT A PUBLICLY DISSEMINATED UDEL STATEMENT AS SOON AS THE STATE OF SIEGE IS LIFTED. UDEL, WHICH HAS CHAMORRO'S LA PRENSA AS ONE OF ITS PRINCIPAL ASSETS, IS PARTICULARLY AFFECTED BY CENSORSHIP AND THE STATE OF SIEGE. HOWEVER, CHAMORRO WAS ALLOWED TO PUBLISH HIS LETTER IN REPLY TO SOMOZA'S DECEMBER 31 BLAST.

15. HIGH LEVEL MEMBERS OF THE PARTIDO SOCIALISTA NICARAGUENSE (COMMUNIST) HAVE REACTED INITALLY WITH UPSET OVER HAVING BEEN UPSTAGED BY THE FSLN. THE PSN IS COCERNED THAT THE GON WILL REACT WITH REPRESSION OF THE ILLEGAL RADICAL OPPOSITION, ESPECIALLY THE COMMUNIST PARTY. SINCE THE PSN IS FAIRLY VISIBLE THROUGH ITS OVERT ACTIVITES IN LABOR AND UDEL, ITS LEADERS FEEL PARTICULARLY VULNERABLE TO GON RETALIATION.

F. CONCLUSIONS.

16. THE SUCCESSFUL FSLN OPERATION HAS ILLUMINATED THE EXISTENCE OF

AND GALVANIZED A GREAT PORTION OF THE ANTI-SOMOZA SENTIMENT WITHIN NICARAGUA. IT HAS ALSO REVEALED THE EXISTENCE OF RESTIVENESS WITHIN THE SOMOCISTA RANKS. THE NEXT SEVERAL MONTHS WILL BE CHARACTERIZED BY EFFORTS OF THE FSLN AND THE MODERATE OPPOSTION GROUPS TO

EXPLOIT THE ANTI-REGIME SENTIMENT AWAKENED BY THE INCIDENT AND BY GOVERNMENT ATTEMPTS TO PUT THE CORK BACK INTO THE BOTTLE. MODERATE OPPOSITION WORRIES THAT THE SITUATION MAY POLARIZE BETWEEN EXTREME LEFT AND THE REGIME SEEM TO THE PREMATURE AND OBVIOUSLY CONTAIN A SELF-SERVING ELEMENT. ABLE TO APPEAL ALONG A BROADER IDEOLOGICAL SPECTRUM THAN THE TERRORISTS IN A COUNTRY WHICH REMAINS SOCIALLY AND ECONOMICALLY CONSERVATIVE DESPITE THE APPARENT MOMENTARY ADMIRATION FOR THE FSLN HEROICS, THE MODERATE OPPOSITION STILL SEEMS TO HAVE THE INSIDE TRACK IN MOBILIZING WHAT NOW APPEARS

TO BE A CONSIDERABLE POOL OF ANTI-SOMOZA SENTIMENT. THE MODERATE OPPOSITION, HOWEVER, MAY HAVE A FEW PROBLEMS IN COMPETING. THE FSLN, HAVING CAPTURED THE IMAGINATION AND/OR RESPECT OF MANY BY ITS AUDACITY AND COURAGE, THE MODERATE OPPOSITION, TOO, MAY BE COMPELLED TO DEMONSTRATE A CERTAIN AMOUNT OF COURAGE IN POOSING THE GON IN ORDER TO STAY IN THE GAME. ALSO, CONFIDENTIAL

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IF THE GON DOES NOT ALLOW THEIR PARTIES TO COMPLETE OPENLY, THEIR CHANCES OF SUCCESSFULLY COMPETING WITH THE FSLN FOR OPPOSITION LEADERSHIP ARE NOT ENCOURAGING. FINALLY, ALTHOUGH THERE ARE SOME INDICATIONS THAT THE MODERATE OPPOSITION GROUPS ARE CONCENTRATING MORE ON SOMOZA THESE DAYS THAN ON EACH OTHER, INTER-PARTY RIVALRY MAY STILL CAUSE THEIR EFFORTS TO BE WASTEFULLY EXPENDED.

17. IF THE FSLN IS ABLE TO MOUNT ADDITIONAL ARMED ACTIONS WITH APPARENT IMPUNITY DURING THIS PERIOD IN WHICH THE GON IS OFF BALANCE, IT COULD SOLIDLY ESTABLISH ITSELF AS A VIABLE OPPOSITIONIST FORCE. FSLN RANKS HAVE BEEN THINNED SOMEWHAT BY THE USE OF 10 TO 14 OF ITS BETTER TRAINED MEMBERS, WITH THE MATAGALPA SUPPORT NETWORK SUFFERING THE MOST. WE HAVE NO GOOD ESTIMATE YET, HOWEVER, OF THE DAMAGE DONE TO THE URBAN SUPPORT NETWORK AND WILL NOT HAVE IT UNTIL THE GON INVESTIGATION IS COMPLETED. IT SHOULD BE NOTED THAT SEVERAL OTHER WELL TRAINED AND RANKING MEMBERS OF THE FSLN HAVE NOT BEEN IMPLICATED IN THE RECENT ACTIVITIES AND THEIR LOCATION AT PRESENT IS UNKNOWN. THIS FACT, COUPLED WITH THE CAPABILITY OF THE 10 - 14 SANDINISTAS TO RETURN TO NICARAGUA EASILY FROM CUBA COMBINE TO POSE A CONTINUING THREAT OF ANOTHER TERRORIST ACT TO BE CARRIED OUT IN THE NEAR FUTURE. THE ACTION OF DECEMBER 27 DID NOT REQUIRE A LARGE URBAN SUPPORT NET TO ASSIST THE FSLN SHOCK TROOPS. THE FSLN HAS INCREASED POS APPEAL AMONG THE UNIVERSITY STUDENTS AND HAS INCREASED GENERAL PUBLIC AWARENESS OF IT EXISTENCE. IF CUBA PERMITS THE FSLN TO RETAIN AND USE THE RANSOM FUNDS FOR FUTURE ACTIVITIES, THE POTENTIAL FOR MOUNTING A SUSTAINED URBAN TERRORIST MOVEMENT WILL BE ENHANCED CONSIDERABLY. THAT CAPABILITY, WORKED IN TANDEM WITH RURAL OPERATIONS CENTERING AROUND MATAGALPA COULD COMBINE TO CREATE MAJOR HEADACHE FOR THE GON.

18. THE GOVERNMENT, THOUGH SHAKEN AND SOMEWHAT ABASHED BY THE

TERRORIST INCIDENT, IS STILL SECURE IN POWER. NOTHING THAT THE FSLN OR THE MODERATE OPPOSITION SEEMS LIKELY TO CONCOCT AT THIS STAGE WILL WEAKEN ITS GRASP ON POWER. WHAT HAS CHANGE HOWEVER IS THE PSYCHOLOGICAL CLIMATE WHICH PROVIDES THE BACKGROUND OF POLITICAL ACTIVITY. FEAR, PANIC, THE LOSS OF THE IMAGE OF INVINCIBILITY, AND THE AWARENESS OF THE POPULARITY OF ITS ENEMIES ARE NEW PHENOMENA TO WHICH THE GOVERNMENT MUST ADJUST. WHETHER IT CAN

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CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 NSCE-00 SSO-00

INRE-00 CCO-00 /071 W

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC IMMEDIATE 5955

INFO AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMDESSY SAN SALVADOR

AMEMBASSY GUATEMALA

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SUCCESSFULLY DO SO AND PREVENT THE PRESENT PSYCHOLOGICAL CLIMATE FROM GIVING A MORE MATERIAL THREAT TO ITS STABILITY WILL PROBABLY BE DETERMINED OVER THE NEXT FEW MONTHS. IT WILL BE AN ESPECIALLY TRICKY OPERATION THAT MUST BALANCE OFF THE EXIGENCIES OF PUBLIC ORDER AGAINST THE RISKS OF ALIENATING RURAL AND URBAN POPULACES; THE RELUCTANCE TO KEEP FROM OPENING A PANDORA'S BOX BY CONCEDING TOO MUCH ON ONE HAND AND THE NECESSITY TO PROVIDE A POLITICAL SAFETY VALVE THROUGH LIBERALIZATION ON THE OTHER. THE OPPOSITION, WHILE MINDING ITS OWN EFFORTS, HAS IN THE PAST,

AND MUST ALWAYS, BASE THEIR SCENARIOS FOR SUCCESS ON SOMOZA
EVENTUALLY MAKING CRUCIAL MISTAKES. BUT IF SOMOZA CONTINUES TO
HANDLE HIMSELF COOLLY, SUPPRESSING THE VINDICTIVE QUALITIES
THAT HE DEMONSTRATED IN EARLIER, TRYING PERIODS, HE STANDS A GOOD
CHANCE OF CONTAINING THE CHALLENGE TO HIS REGIME IN ITS INCHOATE
STAGE.

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19. SOMOZA'S POLITICAL ACUMEN MAY BE TESTED SEVERAL TIMES IN THE
NEXT FEW WEEKS. THE PROSPECT OF FERNANDO AGUERO'S SOARING
ORATORY AT THE SCHEDULED MASAYYU MEETING LATER THIS MONTH MAY
PROVE TOO MUCH OF A PROVOCATION FOR THE TENSE GOVERNMENT TO
IGNORE AND A CLASH OR CONFRONTATION COULD RESULT. UDEL COULD
INITIATE A CONFRONTATION EVEN SOONER IF CHAMORRO IS WILLING TO MEET
THE CENSORSHIP RESTRICTION HEAD ON IN AN ATTEMPT TO GET AN UNCLEARED
EDITION OF HIS PAPER ON THE STREET, THUS PRECIPITATING A POSSIBLE
SHUTDOWN. ORGANIZED LABOR IS ALMOST SURE TO
PRESENT PROBLEMS VERY SHORTLY. RUMORS HAVE BEEN RAMPANT FOR
MONTHS THAT COMMUNIST CONSTRUCTION WORKERS WILL STRIKE THIS MONTH,
AND HOSPITAL WORKERS ARE ALSO IN HIGH STATE OF AGITATION. BOTH OF
THESE SECTORS HAVE PUT SOMOZA ON THE DEFENSIVE BEFORE. THERE
IS ALSO SOME SPECULATION THAT COMMUNIST-LED TEACHERS IN
MATAGALPA AND ELSEWHERE WILL STRIKE FOR WAGE INCREASES AND THAT
THEY WILL BE BACKED BY SYMPATHY STRIKE FROM THE CONSTRUCTION
WORKERS. EACH OF THESE CHALLENGES, IF NOT HANDLED ADEPTLY, COULD
MOVE THE POLITICAL SITUATION INTO A NEW PHASE OF TENSION AND UNREST.

20. WE WISH TO REITERATE THAT THIS IS ONLY A PRELIMINARY ASSESSMENT.
WE WOULD HOPE THAT IN FOUR TO SIX WEEKS WE WILL BE ABLE TO PROVIDE
A MORE IN DEPTH ANALYSIS OF REACTIONS AND POSSIBLE RESULTS
FLOWING FROM THE TERRORIST ACT.

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